

MINUTES
April 3, 2003

Seattle City Employees' Retirement System
Regular Board Meeting

Thursday, April 3, 2003 - 8:30 a.m.
Seattle Metropolitan Credit Union Bldg
Credit Union Conference Room – 3rd Floor

Present: Jan Drago, Dwight Dively, Norma McKinney, Lou Walter, John Curtin and Mary Norris.

Absent: Frank Mathews.

Also Present: Jim Coover – ASRCE, Ken Leask – ARSCE, Ed Kidd – ARSCE, Jack Fahlstrom – ARSCE, Kirk Jones – ARSCE, Jesse Howell – ARSCE, Jim Fletcher, Annie Daniels, Mel Robertson and Norm Ruggles.

Upon motion by Lou Walter, seconded by Norma McKinney, the Retirement Board appointed Dwight Dively to serve as Chair pending arrival of Jan Drago.

Public Comment: Jim Coover announced that Barbara Guptill passed away on Monday. The Board and staff expressed their condolences, and thanked Jim for his announcement.

Minutes:

Upon motion by John Curtin, seconded by Lou Walter, the Retirement Board approved the minutes from the March 6, 2003 Retirement Board meeting, as amended to add Ken Leask's name as an attendee.

Ratification of Retired Payroll, Office Payroll, other Billings and Withdrawals:

Information: The following items represent normal expenses and nothing extraordinary.

Service	\$ 5,022,906.90
Disability	55,015.08
Beneficiary	608,302.67
Pension Payroll – March 2003	\$ 5,686,224.65

Office Payroll - pay period ending February 25, 2003	\$ 21,694.03
Office Payroll - pay period ending March 11, 2003	\$ 21,828.68

Vouchers Processed - from February 28, 2003 through March 26, 2003	\$ 46,162.68 *
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* \$ 0.00 Expert and Consultant Services

Immediate Withdrawal of Contributions

<u>Member</u>	<u>Department</u>	<u>Position</u>
Adams, Cynthia A	Police	Admin Spec II
Alezander, Aizaak J	Seattle Center	Utility Laborer
Bettis, Michael W	Library	Security Officer
Canceko, Lyle D	ESD	Publication Relations Spec Sr
Doering, Carol A	Muni Ct	Admin Spec II
Dupree, Richard A	DHHS	Strategic Advisor 2
Fields, Samuel	ESD	Mech Engineer Sr
Fujita, Kenneth M	Parks	Printing Equipment Operator

Haufschild, Marina	DCLU	Land Use Planner II
Littell, Frederick L	Police	Police Com Dispatcher II
Manseguiao, Joan B	Seattle Center	Utility Acct Rep I
Murray, John G	Seattle Center	Admissions Guard
Musselman, Kim D	Parks	Gardener
Naini, Kamran T	Library	Assoc Director Info Tech
Paine, Susan M	Muni Ct	Manager 2
Sahm, William Joe	Seattle Center	Parking Attendant
Santoro, Scott R	Law	Asst City Attorney
Schwesinger, Gregory W	Law	Asst City Attorney
Smith, Brian Michael	DCLU	Site Dev Inspector Sr
Taylor, Tawana Michelle	Seattle Center	Laborer
Wurm, Connie L	Human Services	Counselor
Zavala, Rene	SEATRAN	Gardener

Upon motion by Lou Walter, seconded by Mary Norris, the Board ratified the Retired Payroll, Office Payroll, other Billings and Withdrawals.

Jan Drago arrived and assumed her position as Chair.

Ratification of Service Retirements:

Information: The following list represents the retirements that have been processed since the last Retirement Board meeting.

<u>Member</u>	<u>Retired</u>	<u>Years</u>	<u>Days</u>	<u>Department</u>	<u>Position</u>	<u>Age</u>	<u>Option</u>
Baum, Lynden	02/28/2003	5	83	Dual Member	Vested	65	C10,G-100
Daniels, Rufus C	03/04/2003	39	348	SEATRAN	Const & Maint Equip Oper	67	A,G-50
Joy, David	03/05/2003	34	178	Seattle Center	Facilities Lead Worker	53	C10
Lynd, Francella D	03/07/2003	21	322	Vested	Vested	63	S
Mallon II, John L	02/26/2003	11	0	Parks	Manager 2	57	C20
Marshall, Peter S	03/05/2003	19	303	Parks	Planning & Devel Spec Sr	66	E,G-50
Parker, Joan A	02/25/2003	12	57	City Light	Vested	61	S
Phillips, Dennis M	02/19/2003	36	219	City Light	Material Supplier Elec	62	C10
Shuman, George L	03/05/2003	31	150	Parks	Strategic Advisor	62	C10
Sisley, Antoinette L	02/15/2003	14	253	KC Health	Nurse	63	A,F
Steyh, Edward W	02/26/2003	30	10	SPU	Manager 2	57	E,G-100
Swanson, Richard	03/04/2003	33	14	City Light	Elec Constructor Wkg CC	57	E
Tarr, Diane P	03/07/2003	25	240	Police	Vested	52	C15,F,G-100

Upon motion by Lou Walter, seconded by Dwight Dively, the Retirement Board approved the service retirements listed above, pending final review.

Ratification of Investment Transactions and Statement of Securities and Cash:

Items in the Investment Summary were highlighted by Norm.

Upon motion by Lou Walter, seconded by Dwight Dively, the Retirement Board approved the Investment Summary report.

Investment Committee Report:

It was announced that the Investment Committee is scheduled to meet at noon on Thursday, April 24, 2003 in the Retirement Office. Norm told the Board that the Committee will be meeting with Putnam to discuss investment performance concerns.

Norm reported on the March 27, 2003 Investment Committee meeting and briefly talked about the Committee's discussion on investment flexibility or nimbleness. The Committee decided that as part of our next manager search, a standby list of investment managers will be developed. Norm then presented a recommendation by the Committee that the System begin investing in Dimensional Fund Advisors' International Small Company Portfolio, which is a non-U.S. small cap stock fund that has shown good investment performance results over time. Investments will be made with this fund as part of the monthly rebalancing process when additional assets are added to the international equity asset class. We already use this firm as a domestic equity small cap manager.

Upon motion by Lou Walter, seconded by Dwight Dively, the Retirement Board approved the Investment Committee recommendation to begin investing funds in Dimensional Fund Advisors' International Small Company Portfolio.

Norm then reviewed the RFP process that is underway for Performance Measurement and Transaction Audit Services. He stated that the Committee will see presentations from Pension Consulting Alliance and Wurts & Associates on April 24, 2003, at 9 a.m.

John Curtin requested that the Committee consider reviewing the level of assets allocated to international equity, currently at 20%.

Executive Director Report:

The following summarizes the Executive Director's monthly report to the Board:

Norm briefly reviewed the election process for the Board position currently held by John Curtin, whose term will expire on June 30, 2003. He said that two candidates have registered to have their names on the ballot.

Norm announced that immediately after the May 1st Board meeting, one of our current investment managers will be scheduled to meet with the Board, to provide an opportunity for the Board to not only meet the representatives of the investment manager but to learn more about what they do. Norm asked the Board if there were particular managers that the Board would be interested in meeting. Mary Norris expressed her interest in starting with domestic equities. Norm said that he would try to schedule more of these opportunities.

Old Business:

(1) Status of Benefit Enhancements

The Board was informed that the estimated current funding level of the Retirement Fund is 72.87% as of February 28, 2003.

(2) Rules and Procedures for Retirement Board Hearings

Norm advised the Board that the required notice was published and that no comments were received, and recommended that the Board adopt the proposed Rules and Procedures for Retirement Board Hearings.

Upon motion by Dwight Dively, seconded by Mary Norris, the Retirement Board approved the Rules and Procedures for Retirement Board Hearings.

New Business:

(1) Audit Committee

Norm said that our auditor Laurie Tish, from Deloitte & Touche, has recommended that the Board establish an Audit Committee, and Laurie discussed this subject at the Board Retreat.

The Board discussed how an Audit Committee might be structured and raised several questions.

Norm will consult the Law Department regarding some initial legal issues, and will invite Laurie to attend a future Board meeting to discuss details about the functions of the Committee.

Dwight Dively re-assumed the position of acting Chair upon the departure of Jan Drago at 9:30 a.m.

(2) Annie M. Daniels Appeal Regarding Purchase of Service Credit

Retired member Annie M. Daniels appeared before the Board pursuant to her appeal. The Board and staff introduced themselves to Ms. Daniels and Chair Dively explained the hearing process.

Norm Ruggles explained that Ms. Daniels is appealing to the Board a position taken by the Retirement Office. He introduced the documents submitted by Ms. Daniels and himself. There were no objections. Exhibits A through D are copies of correspondence between Ms. Daniels and Mr. Ruggles. Exhibits 1 through 17 are enclosures that were attached to Ms. Daniels' correspondence marked as Exhibit D.

Norm gave the background to the appeal, explaining that Ms. Daniels has requested an opportunity to purchase retirement service credit for time between August 23, 1993 and November 9, 2002. During that time period she was working half-time at the City Light Department, received a half-time salary, and she and City Light paid retirement contributions based on that salary. During that time period she received worker's compensation paid at the State of Washington level of benefits for her remaining half time; she now wants to purchase service credit for this remaining half time.

In her written appeal, Exhibit D, Ms. Daniels cited the two Seattle Municipal Code (SMC) sections to be considered in her appeal. Norm said he agreed that those sections should be considered. Norm reviewed the sections and the position of the Retirement Office as follows.

Under SMC 4.36.120A, a member can purchase service credit for "time during leave on account of sickness or injury". The City has certain requirements for this type of leave. City Personnel Rule 7.3 limits an unpaid leave of absence for medical reasons to no longer than 12 consecutive months, requires a written request from the employee, and requires approval by the employee's department. An extension beyond 12 months requires approval of both the department and the City Personnel Director. The Rule defines leave by calendar days and does not mention partial days of leave. Norm said Ms. Daniels did not meet these requirements and was not on leave. She therefore cannot purchase service credit on this basis.

Under SMC 4.36.125C, a member can purchase service credit for time while on worker's compensation "when shown on the City's payroll". The City level of worker's compensation is paid for 12 months through the City's payroll. After that, only the lower State level of worker's compensation is available, which is not paid through the City's payroll. Norm said the worker's compensation Ms. Daniels received between August 23, 1993 and November 9, 2002 was paid at the State level and was not paid through the City's payroll. She therefore cannot purchase service credit on this basis.

Chair Dively then administered an oath to swear in Ms. Daniels to testify before the Board.

Ms. Daniels explained her appeal and testified that she believes she should be able to purchase the service credit for the half-time hours she did not work during this nine-year period because her absence was related to a medical condition. She felt that the City should have done more for her to permit a long-term medical leave, which she feels would have allowed her to buy the service credit in question. She also stated that as an employee she was not aware that she would not be receiving retirement service credit for this time. She said she was a full-time employee working half-time hours. She concluded her remarks to the Board.

Mary Tannehill, manager of the Workers Compensation Section within the City Personnel Department, explained the process regarding permanent accommodations that are made for employees who are injured and no longer able to work a full-time schedule, and how benefits only accrue upon hours worked. She discussed the City and State benefits available to employees.

The Board asked Ms. Daniels several questions and she answered them. The Board thanked Ms. Daniels and she left the meeting.

The Board entered into a closed session for the purpose of deliberating the appeal.

The Board concluded its closed session and decided to hold this item over until the May 1, 2003 meeting.

Adjournment

Upon motion by Lou Walter, seconded by Mary Norris, the Retirement Board voted to adjourn the meeting at 10:38 a.m.

Norma McKinney, Secretary